



ADB Update: Trends and Opportunities in the Agriculture Sector in Southeast Asia

CS ADB
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At its 41st Annual Meeting in Madrid in May 2008, the Asian Development Bank (ADB) announced \$500 million in budgetary support to address rising food costs in Asia and a \$2 billion increase in lending for the agriculture sector in 2009. This increased assistance offers additional commercial opportunities for American consultants, equipment and service suppliers.

ADB Short-term Assistance to the Agriculture Sector - \$500 million¹ for the following projects and programs:

- *Safety net programs* for food-stressed populations. This targeted assistance will include support for food and food stamp programs.
- *Policy Advice.* ADB will assist its developing member countries to review their policies on export restrictions and price controls, and macroeconomic management, in light of higher food prices.
- *Availability of Agricultural Inputs.* Despite improved availability of inputs such as fertilizer in most Asian countries, further enhancements are needed to ensure that farmers have easy, reliable and affordable access to seed, fertilizers, pesticides and credit. Additionally, the price increase of key inputs like fertilizers, pesticides and fuel creates barriers for farmers, which affect their production.

Table 1: Policy Responses in Southeast Asian Countries

Country	Reduce Import Duties	Increase Supply Using Reserves	Build reserves/ Stockpiles	Increase Imports/ Relax Restriction	Raise Exports Duties	Export Restrictions	Price Controls/ Consumer Subsidies	Minimum Support Prices	Minimum Export Prices	Actions Against/ Appeals to Profiteers
Cambodia		●	●			●	●			●
Indonesia	●	●		●		●	●			
Malaysia			●				●			
Myanmar										
Philippines			●	●			●	●		●
Singapore			●							
Thailand		●	●	●			●			●
Vietnam			●	●		●			●	

Source: *Food Prices and Inflation in Developing Asia: Is Poverty Reduction Coming to an End?* ADB-ERD, April 2008

- Major Rice Exporter

¹ ADB's Response to the Food Crisis, K.Sakai, et.al., 15 July 2008

ADB Medium-to-Long-term Assistance to the Agriculture Sector

The 2008-2010 project pipeline indicates that ADB's planned investment in agriculture amounts to about \$4.7 billion for the period.² This investment will be distributed to the following:

- *Incentives.* Most Asian countries have already initiated reforms to remove discrepancies arising from interventionist price and trade policies; however, progress has been mixed and most countries have faltered on the reforms. Hence, most Asian farmers still make their production decisions based on distorted prices and are unable to benefit from the higher prices in international markets. This distortion may need to be corrected and divergence between economic and financial returns narrowed.
- *Infrastructure.* Low level of investments in infrastructure causes weak maintenance of existing agricultural structures and facilities, and insufficient development of new structures and facilities. Investments will focus on the following:
 - i. *Irrigation systems, flood control and drainage structures and soil and water conservation*
 - ii. *Connectivity to the markets* (i.e., rehabilitation, maintenance and development of existing and new farm-to-market roads)
 - iii. *Rehabilitation and upgrade of post-harvest processing facilities.*
- *Rural Finance.* Financial institutions (e.g., microfinance institutions) need to expand operations rapidly to improve farmers' and the rural poor's access to them.
- *Institutions.* Considerable investment in adaptive research and technology dissemination is necessary for agricultural growth. However, institutions engaged in agriculture research and technology dissemination in most Asian countries have waned.
- *Bio-security* to protect biodiversity, to promote environmental sustainability and enhance food safety and bio-safety
- *Information.* While information and communications technology (ICT) progresses, farmers have been left out. The timely accessibility of market information for farmers still lacks, making it difficult for them to adjust their production decisions and respond to changing market conditions.
- *Regional and international cooperation* to eliminate barriers in agricultural trade

Table 2: World Rice Trade, August 2007-2008

Country	Rice Exports ('000 metric tons)	As Percentage of world total
Thailand	9,000	2.14%
Vietnam	4,700	1.12%
India	4,100	0.97%
Pakistan	3,200	0.76%
U.S.	3,100	0.74%
China	1,500	0.36%
Egypt	1,100	0.26%
World Total	421,189	

Source: <http://www.fas.usda.gov/> (accessed on Sept 2008)

² *Ibid.*

Table 3: World Rice Consumption, August 2007-2008

Country	Rice Consumption (‘000 metric tons)	As Percentage of world total
China	129,100	30.39%
India	89,120	20.98%
Indonesia	36,150	8.51%
Vietnam	18,750	4.41%
Philippines	12,060	2.84%
US	3,990	0.94%
World Total	424,771	

Source: <http://www.fas.usda.gov/> (accessed on Sept 2008)

Agriculture in the Energy Sector: *Renewable Energy Development in the Greater Mekong Subregion (GMS)*

In 2003, ADB estimated that 50 out of the 300 million GMS³ inhabitants rely on traditional biomass fuels [e.g., fuel wood, charcoal and farm residues (e.g., crop wastes)]. However, these have precarious effects according to the World Health Organization (WHO). For instance, the wild-harvest of fuel wood contributes to deforestation and fuel wood cooking emits deadly indoor smoke. Governments and investors now study substitutes to fossil fuels like *biofuel*, which is a renewable energy source common in rural areas and can be agriculture-driven.

Thailand and China have been pursuing biofuels and rural renewable development in their national strategies for the energy sector, while Vietnam plans for a biofuels program. Crop fuel use is now undertaken in Cambodia and Lao PDR. *Biogas* programs are now being conducted in Cambodia and Viet Nam.

*GMS Priority Projects*⁴: A \$5 million suite of projects to be implemented by the GMS WGA⁵ and its development partners are as follows:

- Strategies and Options for Integrating Biofuel and Rural Energy Production into Rural Agriculture for Poverty Reduction in the GMS
- Developing Rural Renewable Energy for Poverty Reduction in the GMS
- Public-Private Partnership on Investment Cooperation for Biofuels in GMS
- Pilot studies on germplasm and crop improvements, and on-farm research on new biofuel crops suited for the GMS countries

The implementation will be divided into two (2) phases:

Phase 1: Assessment and Preparation - 2007–2008 (Ongoing)
Expected level of funding: \$1 million

Phase 2: Implementation - 2008–2010

- Public-Private Partnership on Policy and Investment Cooperation
- Demonstration, Pilot Studies and Capacity Development
- Coordination, Communication, and Dissemination

Expected level of funding: \$3.5 – \$4 million

³ Cambodia, Laos, Myanmar, Thailand, Viet Nam, and Yunnan province of the Peoples' Republic of China

⁴ *Biofuel and Rural Renewable Energy Initiative in the Greater Mekong Subregion*, ADB

⁵ GMS WGA's main objective is to provide a forum to identify and realize opportunities in increasing GMS cooperation in the agriculture sector.

**U.S. Commercial Service Liaison Office to the Asian Development Bank (CS ADB)
and the U.S. Executive Directors to the ADB Office (USED)**

U.S. firms are encouraged to keep in contact with the **U.S. Commercial Service Liaison Office to the Asian Development Bank (CS ADB)** especially when they decide to participate in the procurement activities in ADB. This office works closely with the Office of the U.S. Executive Director to the ADB (USED) to increase American awareness of, and participation in, the ADB's procurement activities.

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U.S. firms may also notify CS ADB of their interest to pursue ADB business opportunities by sending a copy of their Expressions of Interest (EOI) to either of the following addresses:

U.S. mailing address:

Attention: Kenneth Reidbord,
Senior Commercial Officer
U.S. Embassy Manila – CS/ADB
PSC 500 Box 33
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For More Information

The U.S. Commercial Service Liaison Office to the Asian Development Bank, located in Makati City, Philippines can be contacted via e-mail at: manila.adb.office.box@mail.doc.gov; Phone: 632 887-1345; Fax: 632 887-1164; or visit our website: <http://www.buyusa.gov/adb>

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